



*Whiterock Estates*

*Development Corporation Ltd. and Subsidiaries*

# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL PERIOD ENDED JULY 31, 1971







# Whiterock Estates

## Development Corporation Ltd. and Subsidiaries

### THE REPORT OF THE BOARD OF DIRECTORS

#### TO THE SHAREHOLDERS

The past year was one of achievement and frustration for your Company. Notwithstanding the adverse events the Board has taken steps to move forward in new directions, to diversify the Company's interests and activities by acquisitions - - while at the same time organizing the expansion of our real estate operations in several ways, including the broadening of our sales-market. It is worthy to note that we continue to hold land valued in excess of \$4,000,000 (based on the appraisal made over a year ago). As part of this "growth direction" it can be reported:

That the acquisition of exclusive rights to a new invention in electronics-data processing is now being completed.

That shareholders will be asked to approve a three-for-one subdivision of the Company's common shares and a change in the corporate name to reflect the new policy of diversification.

Before enlarging on these developments, however, we are pleased to report that the achievement of the past year was due to our widely advertised and highly successful sales campaign under the slogan of "Own a Piece of Canada" which attracted thousands of buyers and prospective buyers to our land holdings in the Peterborough area of Ontario, and in the sales and earnings resulting from this program.

For the fiscal period ended July 31, 1971, consolidated net income after allowance for current and deferred taxes, amounted to \$143,478 or 15.5¢ per share on the 926,585 shares outstanding. Revenue of \$1,257,255 resulted almost entirely from the sale of land. It should be pointed out by way of comment on this return that the Board of Directors has agreed with the auditors that in view of the circumstances as outlined below, a conservative approach to the accounting is warranted. Accordingly, for example, an allowance of 20% is made for possible non-payment on mortgages held, whereas in actual past experience, this has not exceeded 3½%.

The frustration of the past year came at the height of last summer's sales campaign in September when a Toronto newspaper published an article in which the allegation was made that purchasers of properties from our Company, our subsidiaries and others may not have received clear title to their land. We have, of course, contested these allegations, but the attendant controversy seriously damaged our sales program at that point.

The matter of land titles is now being reviewed by the Ontario Government and we anticipate a decision early this year. As for the published allegations, we have commenced legal proceedings against the newspaper claiming general and punitive damages in the amount of \$26,000,000.

#### STOCK SPLIT — CHANGE OF NAME

So much for the past. The future is more important. The Board has worked out a number of plans and proposals designed to ensure the Company's growth, some of which are effective immediately.



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First, it is proposed, subject to the approval of the shareholders, to subdivide the Company's common shares on a three-for-one basis (as you will find outlined in the accompanying Notice of the Annual and Special General Meeting of shareholders). The Board is of the opinion that this move, approval of which is strongly recommended, is in the Company's best interests inasmuch as it will allow for wider distribution of the shares as well as provide a broader market base by making more shares available at a lower per share market price.

Present shareholders, of course, will suffer no dilution of their equity interest in the Company as a result of the stock split, and the additional shares to be issued will become part of the present listing on the Canadian Stock Exchange. If approval is granted by the shareholders, it can be anticipated that the required Supplementary Letters Patent will be granted by the Minister of Financial Institutions, Companies & Co-Operatives of the Province of Quebec, on or about February 18, 1972. Certificates representing the additional common shares will be mailed as quickly as possible thereafter. Present shareholders need not, of course, send their existing certificates to the Company or its Transfer Agent. You will receive two additional shares for each one presently held.

At the same time, in order to reflect the Company's broader interests and objectives, the Board proposes a change in the corporate name to **Whiterocks Diversified Ltd.**

#### THE ACQUISITION

The first acquisition in line with the Company's new direction is the completion of an agreement of intent to purchase what is known formally as the "Miniature Data Collection & Delivery System" - - or, as it will probably become popularly known, the "Tape-It System".

What is involved here is a newly-invented pocket-sized digital key-to-tape recorder which instantly transfers information on to a magnetic tape which can be fed directly into the computer for processing - - thus by-passing a number of time-consuming (and error-producing) steps required with presently available data processing equipment in a wide range of operations.

The new miniature instrument is the invention of Robert Fondiller, Ph.D., Eng., B.A., M.A., M.B.A., of New York. Dr. Fondiller describes the purpose of the instrument as "the automation of raw information gathering" for the computer. He points out, for example, that for years, clerks have written inventories on sheets of paper as items were counted. Key-punch operators then have to transfer this information on to IBM cards to be fed into a card-reading machine to produce the magnetic tape for the computer. The miniature (and low-cost) Fondiller device, by entering the information directly on to the magnetic tape, eliminates all of these intervening steps.

The uses of such a device indicate a large market potential not only for inventory-taking, but meter reading, order picking, sales reporting, supermarket ordering, nursing information, production reporting and other uses in business offices, brokerage operations, medical centres, banks, etc.



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The Board is greatly impressed by this market potential and the prospects of profit for this "breakthrough" development in the ever-enlarging computer field. Dr. Fondiller, it should be noted, is highly regarded in both scientific and engineering circles of the United States. As a consultant, he includes among his clients General Motors, General Electric, IBM, branches of the U.S. government and some 17 foreign governments. He is a member of most of the leading American science and engineering societies and holds numerous patents in various parts of the world. (Among his contributions is work on the development of a special battery now used by U.S. astronauts on their trips to the moon.)

It is planned to establish a wholly-owned subsidiary for the manufacture and sale of these new miniature electronic information-gathering instruments. The cost of the acquisition of the exclusive rights is set at 50,000 of the present common shares of the Company, and we will provide an amount of \$150,000 as working capital to launch this new subsidiary.

We should add at this point also, that the Board intends to consider other acquisitions of merit in line with the new policy.

#### FINANCIAL STATEMENTS

The Consolidated Financial Statements for the fiscal period ended July 31, 1971, are presented herewith for your consideration. These have been prepared by our auditors but, as you will note in their accompanying report to the shareholders, in view of the possible material effect of the matters referred to above (the question of land titles and the litigation instituted by the Company) they are unable to certify these statements.

The Annual and Special General Meeting of shareholders will be held in Montreal on Monday January 31, 1972, at the time and place indicated in the accompanying Notice of Meeting. For those shareholders unable to attend, a Proxy Form is also enclosed. An addressed reply envelope is enclosed for your convenience in returning these proxies.

#### IN SUMMARY

Our Company has endured and overcome a most trying period during the past six months. We are not, however, disposed to allow these events to dissuade us from the primary objective of building a growing and diversified enterprise based in the first instance on "Owning a Piece of Canada", and on the acquisition of new, diversified interests of strong potential, such as the Miniature Data Entry System device.

We remain confident that the problems related to the sale of our land holdings will be resolved in the near future and that the Company shall resume the interrupted growth which it was commencing to realize during the last fiscal period. The prospects for the Canadian and U.S. economies in 1972 are brighter now than at any time in the past five or six years. We are determined that our Company will achieve its full share of this future prosperity.


On behalf of the Board of Directors,

GARY BLUESTEIN

President

January 12, 1972





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# AUDITOR'S REPORT

To the Shareholders of  
Whiterock Estates Development Corporation Ltd.

We have examined the Consolidated Balance Sheet of Whiterock Estates Development Corporation Ltd. as at July 31, 1971 and the Consolidated Statements of Income and Retained Earnings for the period then ended. Our examination of the financial statements of Whiterock Estates Development Corporation Ltd. and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In view of the possible material effect on the financial statements of the matters set out in Note 16, we are unable to express an opinion as to whether or not the accompanying financial statements present fairly the financial position of the Companies as at July 31, 1971, and the results of their operations for the period then ended.

Respectfully submitted,

STARR, TWARD AND COMPANY,  
Chartered Accountants.

Toronto, Canada.  
January 7, 1972.



# Whitero Development Corporation

CONSOLIDATED

AS AT

## A S S E T S

### Current Assets

Cash	\$ 8,079
Marketable securities (at cost)	
(market value \$3,750)	2,500
Land inventory - at appraised value (Note 3)	4,078,741
Interest and sundry accounts receivable	16,736
Mortgages receivable (current portion) estimated	51,455
Prepaid expenses	20,394

Total Current Assets \$4,177,905

Mortgages Receivable - less allowance \$183,883 -  
    less current portion \$ 682,642

### Other Assets

Loans and advances receivable \$ 28,000

### Intangibles and Deferred Charges

Unamortized share issue costs \$ 30,292  
Sundry 2,568

\$ 32,860

TOTAL ASSETS \$4,921,407

The accompanying notes form an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

(Signed) Per: GARRY S. BLUESTEIN Director

(Signed) Per: VICTOR PROUSKY Director



# **Estates Ltd. and Subsidiaries**

## **Balance Sheet**

**December 31, 1971**

### **LIABILITIES AND SHAREHOLDERS' EQUITY**

#### **Current Liabilities**

Bank indebtedness (Note 4)	\$ 293,945
Accounts payable and accrued liabilities	83,259
Customers' deposits	16,356
Income taxes payable	17,682
Notes payable - current portion	8,000
Mortgages payable - current portion	19,905

**Total Current Liabilities** \$ 439,147

**Deferred Income Taxes (Note 5)** \$1,952,389

#### **Long-Term Liabilities**

Accounts payable - roads (Note 6)	\$ 102,660
Notes payable - less current portion (Note 7)	26,939
Loans and advances payable (Note 8)	104,300
Mortgages payable on land - less current portion (Note 9)	294,367

**Total Long-Term Liabilities** \$ 528,266

**TOTAL LIABILITIES** \$2,919,802

**Minority Interest - in consolidated subsidiaries (Note 10)** \$ 133,649

#### **Shareholders' Equity**

##### **Capital Stock**

##### **Authorized**

5,000,000 Common shares, without par value

##### **Issued**

926,585 Common shares (Note 11) \$ 190,620

**Excess of Appraised Value of Inventory of  
Lots Over Cost (Note 3)** 1,414,418

**Retained Earnings** 262,918

**TOTAL SHAREHOLDER'S EQUITY** \$1,867,956

\$4,921,407

The accompanying notes form an integral part of these financial statements.



# Whiterock Estates

## Development Corporation Ltd. and Subsidiaries

### CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE FISCAL PERIOD ENDED JULY 31, 1971

Balance of retained earnings at beginning of period	\$ 115,439
Net income for period	143,478
Realized portion of appraisal surplus (Note 3)	62,974
Adjustment re cost of shares in subsidiaries during period (Note 12)	(58,600)
Adjustment re prior year's income taxes	( 373)
Balance at end of year	<u>\$ 262,918</u>

The accompanying notes form an integral part of these financial statements.



# Whiterock Estates

## Development Corporation Ltd. and Subsidiaries

### CONSOLIDATED STATEMENT OF INCOME

FOR THE FISCAL PERIOD ENDED JULY 31, 1971

#### REVENUE

Sales	\$1,185,288
Mortgage interest and other	71,967
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	\$1,257,255

#### EXPENSES

Cost of sales (Note 13)	\$ 370,111
Administration and selling	522,235
Interest on mortgages, loans and bank financing	59,554
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	\$ 951,900

OPERATING INCOME BEFORE INCOME TAXES	\$ 305,355
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Estimated income taxes - current	\$ 8,198
- deferred	160,267
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	\$ 168,465

NET OPERATING INCOME BEFORE MINORITY INTEREST	\$ 136,890
Minority interest	(6,588)

NET INCOME FOR PERIOD	<u>\$ 143,478</u>
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Earnings per share on 926,585 outstanding shares	15.5¢
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The accompanying notes form an integral part of these financial statements.



# Whiterock Estates Development Corporation Ltd. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL PERIOD ENDED JULY 31, 1971

### 1. General

The accompanying consolidated financial statements as at July 31, 1971, combine the financial positions of the parent company from its incorporation, January 15, 1971, and its six subsidiary companies set out below, as well as the results from operations of all the companies for the periods set out below and the percentage ownership acquired, from inception of the parent company to July 31, 1971. We also set out the respective accountants and/or auditors and the term of the period included in the financial statements for each subsidiary.

1)	Bartros Holdings Limited	75%	Newman, Sversky & Co. Chartered Accountants Auditors.	12 Months
2)	Chestwar Investments Limited	100%	Newman, Sversky & Co. Chartered Accountants Auditors.	12 Months
3)	Maplehill Estates Limited	100%	Newman, Sversky & Co. Chartered Accountants Accountants. Starr, Tward and Company Chartered Accountants Auditors.	12 Months
4)	Verlem Investments Limited	87.5%	Newman, Sversky & Co. Chartered Accountants Accountants. Starr, Tward and Company Chartered Accountants Auditors.	12 Months
5)	*Nadper Holdings Limited	100%	Kenneth Ceresne Chartered Accountant Auditor.	11 Months
6)	*Opican Developments Limited	100%	Starr, Tward and Company Chartered Accountants Auditors.	10 Months

\* Permission was received during the period from the necessary authorities to end the fiscal period at July 31, commencing with the 1971 year.

The accompanying consolidated financial statements as at July 31, 1971, the accounting principles followed and adjustments made in their preparation, are presented following consultation with and in agreement with all the accountants and auditors aforementioned.

2. To the best of our information, all material known and estimated liabilities pertaining to the Companies are set out herein. We have been supplied with a certificate from management to the effect that there are no known or contingent liabilities outstanding against the assets of the Companies other than as are set out herein, or as set out in the notes to financial statements.



### 3. Land Inventory

Land inventory is located in various townships in the Province of Ontario. This land was purchased and subdivided prior to a general ruling by the Department of Municipal Affairs of Ontario, dated June 27, 1970, prohibiting the severance of small acreages from large tracts of land. The appraisal adjustment herein causes the financial statements to reflect as accurately as possible the situation that exists as at the date indicated and has been approved by the Board of Directors of the Company. The amount of the appraisal adjustment will be allocated to Retained Earnings in future periods as these lots are sold. Accounting in future will be based on actual costs of properties purchased for resale. The appraisal reports have been prepared by the United Trust Company, Toronto, and copies may be inspected at the head office, 800 Dorchester Blvd., West, Suite 2610, Montreal, Quebec.

### 4. Bank Indebtedness

Bank indebtedness is secured by the assignment of mortgages receivable, as well as the personal guarantees of certain principals.

### 5. Deferred Income Taxes

Corporation income taxes have been provided for at full rates for the period under review. Section 85 (B) (1) (D) of the Income Tax Act, Canada, provides an allowance whereby corporations taking back mortgages on the sale of real property may account for corporation income taxes over the terms of the mortgages, as payments are received. This provides for estimated deferred income taxes in the amount of \$196,701 with respect to income earned to the end of the current fiscal period, following management policy. In addition, income taxes at maximum rates, attributable to the increase of inventory of lots to appraised value have been provided for in the amount of \$1,755,688. These deferred income taxes will be allocated to future periods as these lots are sold.

### 6. Accounts Payable - Roads

Provision for road costs has been made at the average rate of \$300 per sold lot in the accompanying consolidated financial statements, based on previous road contracts performed. It is a condition of each sale that where there are no access roads to properties sold, the installation of roads will be commenced within three years from the dates of sale.

### 7. Notes Payable

Claude Fitzgibbon, 8%, payable \$4,000 plus interest on January 1, 1972, July 1, 1972, January 1, 1973 and August 15, 1973	\$ 16,000
Catherine Fitzgibbon, due February 28, 1975	12,000
Sundry	6,939
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	\$ 34,939
Less - Current portion	8,000
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	\$ 26,939

### 8. Loans and Advances Payable

Ron-Gar Holdings Limited	\$ 10,000
Farallon Investments Limited	48,000
Sulbass Investments Limited	46,300
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	\$ 104,300

The above loans and advances bear interest at the rate of 9 3/4% per annum.



9. **Mortgages Payable**

Interest rates on mortgages payable range from 6% to 9% per annum, and in most cases there are prepayment privileges, without notice or bonus, based on an average of \$150 per lot sold.

10. **Minority Interest**

The minority interest in consolidated subsidiaries is comprised as follows:

Advances	\$ 23,697
Capital Stock	50
Excess of appraised value of inventory of lots over cost	114,241
Retained earnings	(4,339)
	<u>\$ 133,649</u>

11. **Capital Stock**

During the period, the following shares were issued

Directors on incorporation	35 shares	35 shares
75% equity in Bartros Holdings Limited		174,600 shares
*50% equity in Chestwar Investments Limited		6,000 shares
*50% equity in Maplehill Investments Limited		90,500 shares
87.5% equity in Verlem Investments Limited		31,300 shares
100% equity in Nadper Holdings Limited		333,800 shares
100% equity in Opican Developments Limited		190,350 shares
Public issue for cash		<u>100,000 shares</u>
	<b>TOTAL</b>	<u>926,585 shares</u>

\*Remaining equities acquired subsequently during period for cash and debt obligations.

12. **Retained Earnings**

The Company has reflected the net excess of the cost of equity in subsidiaries in the Statement of Retained Earnings.

13. **Cost of Sales**

Cost of sales to December 31, 1970 taken at actual cost and from January 1, 1971 at appraisal costs. See Note 3.

14. Agreement made with surveyors, Donnevan and Fleischman to pay to them 25% of profits realized on the sale of lots in Phase 2, Maplehill Estates Limited in lieu of survey fees.

15. **Remuneration of Management**

For the current period under review, management has waived all remuneration, totalling \$40,625.

16. On September 11, 1971 a daily newspaper in Ontario, Canada, published an article alleging that the purchasers of property from the Companies and others may not have received clear titles. The Ontario Government is presently reviewing the matter and a decision is expected early in the 1972 year. According to the Company's solicitors, Gardiner, Roberts, Anderson, Conlin, Fitzpatrick, O'Donohue and White of Toronto, Canada, the Company has commenced legal proceedings against the newspaper claiming general and punitive damages in the amount of \$26,000,000.

Due to the allegations by the newspaper, many purchasers having deposits with the Company have delayed the closing of their transactions pending the outcome of the matter. The amount of sales outstanding pending the decision approximates \$550,000.







